

31 May 2007

The Honorable Nancy Pelosi
Representative, California 8th District
Office of the Speaker
United States House of Representatives
H-232, US Capitol
Washington, DC 20515

Dear Congresswoman Pelosi:

I recently moved to Hong Kong, after living in your district in San Francisco since 1988. I moved to Hong Kong to take a new job with a subsidiary of a Bay Area firm.

Since moving to Hong Kong, I have become a member of the American Chamber of Commerce. Recently, I attended a forum they hosted for a Congressional delegation which included Congressmen John Conyers and Eni Faleomavaega, and Congresswoman Diane Watson. During the course of the forum, the members of the audience passionately expressed their concerns about one subject: Section 911 exemptions for overseas Americans to the U.S. Tax Code.

I want to take this opportunity to express my opinion concerning this issue. The United States is the only developed country in the world that taxes its nonresident citizens. Personally, I feel unfairly treated and don't understand why my government needs to tax its nonresident citizens when the governments of Canada, England and Australia, and all the other developed economies, do not. Common sense would say that the U.S. should adopt the same practices, in the interests of its own competitiveness.

U.S. taxation of overseas Americans penalizes the United States in three ways:

- **Jobs:** It strongly discourages American, as well as foreign companies, from hiring Americans for overseas employment; as such, it clearly limits the overseas employment opportunities for American citizens. In fact, the number of Americans working for American companies overseas has been cut in half over the past twenty years. For example, there are more Canadians, British and Australians working in Hong Kong than Americans. This is because non-Americans are not taxed overseas by their home countries, thus, there is no tax "equalization" necessary. (Section 911 of the U.S. Tax Code allows for limited foreign earned income and housing cost exclusions. These exclusions, along with the application of tax credits for foreign taxes against U.S. taxes, alleviate somewhat the double taxation, but only partially.) In other words, Americans cost more to employ.
- **Exports:** America's overall economy generally, and especially its export oriented industries and services, is affected by the overseas presence of its citizens who represent the vanguard of American international trade. Fewer Americans overseas translates over a period of time into lower exports, resulting in reduced overall economic activity and employment in the United States. This is because non-Americans are more likely to purchase or source for their employers, products and services from their home countries, or are involved in strategic or investment decisions likely to favor their homelands.
- **Leadership:** There are four million Americans residing overseas who are the "Ambassadors" of America's values and interests around the world. Given America's population of 300 million, and its large economic size, this is not a large percentage. The U.S. needs more Ambassadors to represent American business and national interests, as well as, create the leaders for today's global economy. In other words, if American managers are not directly exposed to working in international markets, how can the future leaders of American industry have the perspective necessary to effectively compete in the global economy?

I know that this is a complex issue and one not known to many in Congress. Therefore, I encourage you, to support bipartisan efforts for Congressional hearings on the issue of taxation of overseas Americans, and to support more fundamental tax reform for Americans working overseas.

Yours sincerely,


Michael A. Clement

